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Title : THE BUZZ IN TN IS IN SMALL BIZ

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Expert Counters View On Flight Of Investments From Tamil Nadu, Says MSME Sector Is Booming & Creating Jobs

Industrial investments can be categorized in many ways depending on the amount, type and the nature of the industry in which the investment is being made. Typically, large investments have a choice of location for the industry. The investors can choose to invest anywhere in a state or across states.

Some argue that the flow of such types of investments is based on how proactive the government is in marketing and reaching out to individual investors. But I would argue that the long-term and sustainable way of attracting big ticket investments is to create a conducive environment overall. An investmentfriendly environment will market itself. This would mean investors will not make their decisions on any specific sops or project-specific guarantees but rather on the overall investment climate in the state.

The other type of investments is smaller and location-specific. The investors are local and typically operate in a particular area. They are often bound to specific districts. Such investors have two constraints. They need to have access to the market for their products, wherever that is whether within their district, in Tamil Nadu or outside. And they have no choice of locations.

The sugar industry can be cited as a typical example of such investments. These investors will decide to invest only if the local governance is apt.

Such investments are typically smaller but they employ over 70% of the nation's workforce. Half of all invested capital comes from this type. The per unit investment amount may be small but in terms of sheer volume, these investments add up to a tidy sum.

Government data consistently show that investment of this sort has grown at a high rate in the last few years in Tamil Nadu in terms of number of investors as well as the total amount.

The state has bucked the trend in the Micro, Small and Medium Enterprises (MSME) sector. In 2012-13, there was a 30% growth in new units, showing that capital formation in the sector is growing rapidly. Tamil Nadu boasts of the highest number of new units in the MSME sector.

When micro, small and medium enterprises intend to invest in new units or in expansions, they file an investment intent with the Central government if the amount exceeds Rs10 crore. After finishing the project, they file a completion report. Figures show that in recent years Tamil Nadu's already high performance has become stellar -in investment intent as well as project completion.

Tamil Nadu has always been an exceptional performer in skills development, which is a key element in industrial development. During the election campaign, Narendra Modi spoke about how rest of India can learn from Tamil Nadu's record in this.

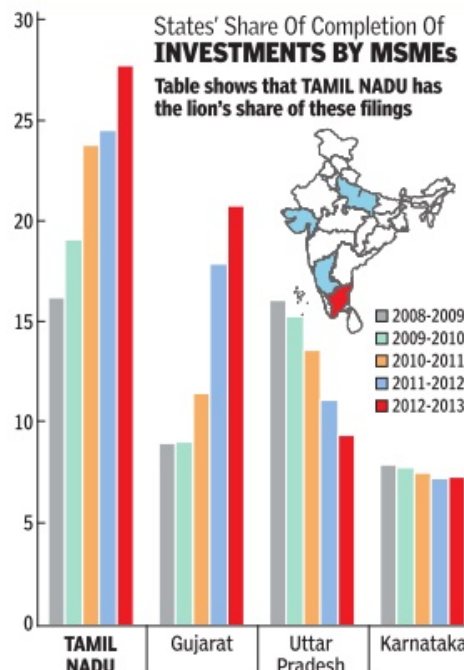
The current state government has focused on the SME sector. It has launched many schemes and given new life to several initiatives in this sector. Among the innovative programmes it has launched is the NEEDS programme. In this, the government arranges a collateral-free loan of Rs1 crore for start-ups. The government subsidy of 25% is given after the unit has started up and the loan has been repaid.

To remove persistent backwardness in certain districts such as Ariyalur, as well as in pockets in developed districts like Trichy, the government has come out with a scheme called the State Balanced Growth Fund implemented through the state planning commission. As a result of all these efforts by the government, we are seeing a new energy across the state coming from budding entrepreneurs.

In terms of overall industrial investment intent, Tamil Nadu has retained its position in the top five states. It is inevitable that the state's economic performance coincides with the overall health of India's economy. Now that the nationwide down cycle is over and investment seems to be picking up, prospects for Tamil Nadu also appear bright.

(The author is director-research at Akara Research & Technologies)

THE OTHER SIDE



- ▶ When micro, small and medium enterprises (MSMEs) intend to invest in new units or expansion, they file an investment intent with the Central government. After finishing the project, they file a completion report
- ▶ The above data gives the performance of MSMEs in states in **completing projects with investments of over Rs10 crore**

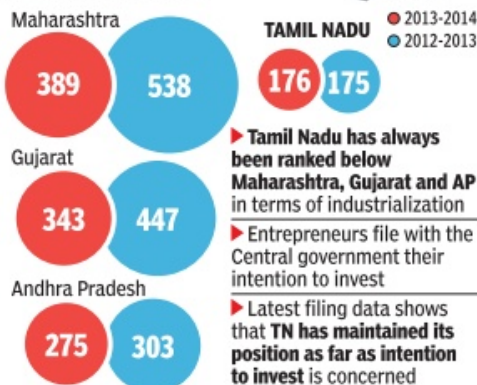
Source: Development Commissioner, Micro, Small and Medium Enterprises, Govt of India

Today's article counters "Buzz leaves state biz as investors shy away" (South Pole, Sept 4) that said investment has come down in the state due to the power crunch, lack of land for projects and less access to decision makers.

BUILDING ON ITS TRADITIONAL STRENGTHS, THE STATE HAS SEEN A SURGE IN NEW SMALL INDUSTRIAL UNITS AND CAPACITY EXPANSIONS IN RECENT YEARS



Total Investment Proposals Across ALL INDUSTRIES



Number Of MSME Units Filing PROJECT COMPLETION

State	2009-10	2010-11	2011-12	2012-13
Tamil Nadu	41,799	57,902	70,639	90,974
Gujarat	19,992	27,939	51,781	68,235
Uttar Pradesh	33,479	33,027	32,304	30,793
Karnataka	17,195	18,434	21,021	24,208

- ▶ **The state has bucked the trend in the SME sector, retaining the top position in new industry formation**
- ▶ Highest number of new units in MSME sector in TN
- ▶ **New capital formation in MSME sector growing rapidly**



Source: GOI's Department of Industrial Policy and Promotion